

Govt not 'sugar daddy'
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WE are seeing some strange things happening in Europe. This continent of rich developed countries is going through a financial and economic crisis that resists attempts to turn it around and recover.

Several countries of Europe are actually going bankrupt. Greece is bankrupt. Now Spain is practically in recession.

Reports indicate that Portugal and Italy are also in deep financial trouble. Even the UK and France are in trouble.

Where did they go wrong? It is important to know the reasons for their decline because we, who are fond of copying the Europeans, might be going the same way.

I am not an economist, of course. Neither am I a financial expert. But as a layman, I noticed certain things which may have a bearing on the decline of Western nations and the United States of America.

Simply put, the decline is due largely to living beyond their means. In other words, they are spending more money than they actually have or earn.

Younger people may not be aware of it, but there was a time when all the white goods, machinery and motor vehicles that we bought, were from Europe and America.

Today, you hardly see any of them. We now buy everything from Japan, Korea and China. The products of Europe and America are too expensive and often of poorer quality that we just don't buy them.

Their high cost is due to their paying their workers wages many times higher than what they should be paid for the productivity level they achieve. They also reduce working hours per day, lesser number of working days per week. They give long holidays to their workers, high overtime allowance, generous pensions and medical care, etc.

Even then their workers are not satisfied. They go on strike, which actually increases the cost of production.

They may be given what they demanded even if their employers could not afford.

The price of their products or services had to be raised again even though they were already too high and uncompetitive.

Rapidly, they lost the market. Unemployment increased and unemployment benefits had to be paid out by the government just when revenue decreased due to decreasing sales of their products.

Countries like Germany may be able to sustain the high cost of production while maintaining high living standards. This is because Germans work hard and are productive. But the poorer countries of Europe, such as Greece, which tries to live like the rich, cannot. So they borrowed money.

We can borrow if we can invest for greater return in order to repay. When we borrow in order to just spend, we will never be able to repay. What can happen to individuals who borrow in order to spend can also happen to countries. They go bankrupt.

Is there a lesson in this for Malaysia? I think there is. We in Malaysia like to live well. If we cannot pay for it, then we can ask the government to pay. We believe the government has unlimited amounts of money to pay for everything.

At the same time, we want tax rates to be reduced. As for the tolls, they should be abolished. We seem unaware that when we reduce or abolish tolls, the government has to compensate the operators.

What this means is that government expenditure would increase just when revenue decreases. Abolishing toll does not mean we don't pay.

Through the government, we will be paying indirectly. The sad thing is that people who do not use the expressways will also pay. With tolls, only the users pay.

The opposition is promising increases from five to 20 per cent of gross profit to be paid to the states where oil is produced.

At five per cent, these states are already getting more than what other states get from the federal revenue.

Imagine the amount at 20 per cent. The fact is that the oil is found in Malaysia and all Malaysians must benefit from it.

Then the opposition parties demand for higher education to be free for everyone. Do away with PTPTN (National Higher Education Fund Corporation). As far as I know, only Germany, the richest country in Europe, provides free tertiary education.

Taking all ministries together, Malaysia spends almost 25 per cent of its budget on education. No other country in the world, developed and developing, allocate this much. Of this, a very substantial portion has always been for scholarships.

But such is the demand for education in Malaysia that there are not enough scholarships for the deserving. The government had to launch a new scheme involving loans to cater for those who are qualified but cannot afford.

The terms are very generous as the interest rate and repayment scheme permit repayment after they begin to earn an income. The loans are greatly subsidised by the government.

The opposition can promise to remove all payments by the people, but all the expressways, education service and the amenities/infrastructure will have to be paid by someone.

We think of the government as some sugar daddy with unlimited funds. It is not. Government money is, in fact, our money acquired through taxes of all kinds.

Reducing tax will mean the government has less money and forcing the government to pay for all our needs will lead us to bankruptcy. That is what happens to Greece and other European countries.

We are a democratic country whatever our detractors may say. The people have the power to choose their government. Power corrupts and the right to choose who should govern the country is also a potent kind of power.

That power can be used to threaten the parties wishing to contest in elections. The incumbent government is most exposed to this threat.

Under threat, it may forget prudence in the management of our finances. It can lead to the Grecian problem.

The opposition doesn't care. For them, winning the election is the only objective. Beside when they form the government, they can forget promises.

Remember how (United States) President Obama of the "greatest democracy in the world" promised to close down the Guantanamo detention camp two days after his installation as president? Well Guantanamo is still there.

The opposition will certainly forget much more easily than Mr Obama.

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